

science group

6 September 2021

SCIENCE GROUP PLC

(‘Science Group’ or the ‘Group’)

Business Update

Science Group reported record Interim Results on 26 July 2021 with adjusted earnings per share growth of 51% compared with the prior year and 125% compared with the first half of 2019 prior to the pandemic. The Board’s expectations for 2021 were upgraded for the second time this year at the Interim Results and the resilient performance of the Group’s operating divisions has continued over the summer, providing confidence for the remainder of the year.

At 30 June 2021, the Group had gross cash of £29.0 million. Since that time, the Group has invested

- \$6.0 million (approx. £4.3 million) to buy out the future royalty costs related to Frontier products, an earnings enhancing transaction in both the current year and the future; and
- Between 9 and 31 August 2021, £11.0 million in acquiring over 24% of TP Group plc

At 31 August 2021, after the above investments, Science Group had gross cash of £17.2 million, reflecting the continuing strong cash generation of the Group’s business operations.

Corporate Strategy and Capital Structure

On 24 January 2019, the Board set out the results of the Group’s strategic review, which incorporated discussion with major institutional shareholders. This review concluded that the Board should pursue a broad strategic agenda to deploy the Group’s capital and management resources in order to deliver value to Science Group shareholders. The strategy has been demonstrably successful.

In each of the Group’s operating divisions, the Board continues to invest in organic business development opportunities whilst also exploring add-on acquisitions. As demonstrated throughout the past decade, these smaller acquisitions can be funded through the strong cash generation of the Group’s businesses and existing debt facilities. This model has delivered substantial returns for shareholders with nil net shareholder dilution over the past decade.

Following the strategic review, the Board has also explored larger opportunities to increase the scale of the Group as evidenced by the successful stakebuilding, acquisition and turnaround of Frontier Smart Technologies. Similarly, the 2019 review identified that strategic investments may be an appropriate model within the Group’s strategy (see below in relation to TP Group plc). In order to facilitate these opportunities, which invariably require immediate access to capital resources, the Board continually reviews the most appropriate capital structure for the Group.

At 30 June 2021, the Group’s long-term bank debt was £16 million. This facility, secured on the Group’s significant freehold property assets extends to 2026. The Group’s freeholds were valued in March 2021 at between £23 million and £35 million. However, with such consistently strong performance, even through the Covid pandemic, and robust cash generation from the Group’s operations, the Board is now considering a new debt facility in order to increase capital efficiency and enable Science Group shareholders to benefit from an increase in leverage.

Furthermore, and as set out in the Group’s 2019 strategic review, from time to time the Board considers the merits of broadening the shareholder base, and thereby enhance liquidity, through an increase in equity capital. In considering the possible expansion of the Group’s equity capital, the

Board will prioritise the interests of existing shareholders and, as evidenced over the past decade, will carefully consider the impact of shareholder dilution. Such prudence benefits all shareholders of Science Group, both long-standing and new investors who can be assured of continued alignment of Board and shareholder interests.

Strategic Investment in TP Group plc

Consistent with the 2019 strategic review, during 2021 Science Group approached TP Group in relation to a strategic investment and subsequently also proposed a potential acquisition of TP Group. The TP Group Board rejected all attempts to engage and Science Group therefore acquired its initial shareholding on 9 August 2021, progressively increasing to the current level of over 24%. An indicative proposal for a potential offer at 6.5 pence per share was made to the Board of TP Group, a premium of 67% to the TP Group share price prior to Science Group's initial investment.

On 16 August 2021, one week after making the initial investment, Science Group informed shareholders of both companies that the strategic investment model was increasingly likely and this scenario was consistently reiterated. In parallel, Science Group continued to explore the potential offer which was always subject to certain pre-conditions, including the completion of satisfactory due diligence which was not forthcoming. Accordingly, the potential offer was withdrawn as announced on 3 September 2021.

Therefore, as indicated in mid-August, the Science Group strategy is to manage its strategic investment in TP Group in an active manner. To that end, Science Group requisitioned the Board of TP Group to call a general meeting of TP Group shareholders to consider the constitution of the TP Group Board, including (i) the removal of two TP Group directors who have presided over the poor performance of the company in recent years and (ii) the nomination of two directors from Science Group who have a demonstrated track record of delivering value to shareholders. The TP Group general meeting is anticipated to be held within the next few weeks. Science Group will be voting its entire shareholding at the time of the general meeting (anticipated to be in excess of 24.1%) as set out above. Science Group is not restricted from increasing its shareholding up to 29.9% nor as to the price at which additional shares are purchased.

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